

PROPOSED RESOLUTION

Resolution W-5107
WD

Agenda ID #15069

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water and Sewer Advisory Branch

RESOLUTION W-5107
August 18, 2016

RESOLUTION

(RES. W-5107) SAN GABRIEL VALLEY WATER COMPANY,
ORDER AUTHORIZING A RATE BASE OFFSET REVENUE
INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL
REVENUE OF \$556,437 or 0.8% TO ITS FONTANA WATER
COMPANY DIVISION TO BE PAID BY THE RATEPAYERS.

By Advice Letter 477, filed March 31, 2016.

SUMMARY

By Advice Letter 477 filed on March 31, 2016, San Gabriel Valley Water Company (San Gabriel) seeks a rate base offset of \$3,235,000 for construction and site improvements at plant F21 which would cause an increase in annual revenue of \$556,437 or 0.8% in the Fontana Water Company Division.

This Resolution grants the requested rate base offset at the annual revenue increase over current revenue of \$556,437 or 0.8%. This increase will not result in a rate of return greater than the last authorized for San Gabriel in its Fontana Water Company Division.

BACKGROUND

San Gabriel requests authority under General Order (GO) 96-B, Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$556,437 or 0.8% for a rate base offset of \$3,235,000 associated with construction and site improvements at Plant F21 in the City of Fontana.

In San Gabriel's last General Rate Case, Decision (D.) 14-05-001 approved a settlement between San Gabriel and the Office of Ratepayer Advocates (ORA) and authorized the utility to file a Tier 3 advice letter to recover costs for Plant F21 at an estimated total of \$3,235,000. The main components of the project would consist of demolition of the old structures, construction of a new well and reservoir, and site improvements.

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By Advice Letter 477 filed on March 31, 2016 and pursuant to D.14-05-001, San Gabriel submitted the Tier 3 advice letter demonstrating a total cost of \$5,016,223 for Plant F21. However, San Gabriel only requested the total estimated cost cap of \$3,235,000 to be added to rate base, which would increase the annual revenue by \$556,437 or 0.8%. When reviewed by Water Division, the project was found to be reasonable, used and useful.

NOTICE AND PROTEST

Advice Letter 477 was served in accordance with Water Industry Rule 4.1 of GO 96-B. A notice of the proposed rate increase was posted on San Gabriel's website in accordance with Water Industry Rule 3.3 (id).

No protests were received.

DISCUSSION

In Application (A.) 11-07-005, San Gabriel requested \$3,235,000 to meet operational requirements, disinfect the groundwater produced from the well at Plant F21, and meet customer demand in the surrounding area. San Gabriel requested the funds to demolish the existing structures at Plant F21, grade the site and construct a replacement well, a water storage reservoir, a fence and wall, and other site improvements. ORA recommended the Commission only authorize costs required to add the replacement well, reject costs associated with the reservoir, and that project remain an advice letter project. In the settlement adopted in D.14-05-001, ORA agreed to San Gabriel's request but as a Tier 3 Advice Letter project with a capped expenditure of \$3,235,000 and with costs shifted by one year to 2012-2014.

Water Division reviewed the reasonableness of the project expenditures and determined the expenditures to be reasonable. Bid proposals were examined by Water Division to verify that the most cost-efficient bid was chosen for contracting work and invoices were reviewed to support the accuracy of Plant F21's costs. Water Division confirmed that the requested cost recovery associated with the project does not exceed the authorized rate of return and that the project has been completed and is currently used and useful.

Based on this review, Water Division finds the costs to be just and reasonable and recommends approval of the requested rate base offset. We concur with Water Division's findings.

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With the authorized return on rate base of 8.49%, the resulting revenue requirement increase is \$556,437 or 0.8% of the adopted revenue. Accordingly, the requested rates are shown in Appendix A. The monthly bill for a 5/8-inch metered customer using 19 Ccf will increase from \$63.22 to \$63.69, a \$0.47 difference.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. However, Section 311(g)(2) provides for waiver of the comment period for an uncontested matter in which the decision grants the relief request as is the case here.

Accordingly, this Proposed Resolution was not mailed for public comment.

FINDINGS AND CONCLUSIONS

1. By Advice Letter 477 filed on March 31, 2016, San Gabriel Valley Water Company seeks a rate base offset of \$3,235,000 associated with the construction of a new well and reservoir at Plant F21 and an annual revenue requirement increase of \$556,437 or 0.8% in its Fontana Water Company Division.
2. The new reservoir is currently used and useful.
3. Based on the Water Division investigation, the rate base of \$3,235,000 and the resulting revenue requirement increase of \$556,437 or 0.8% are found to be just and reasonable.
4. The requested rates (Appendix A) are reasonable and should be adopted.

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THEREFORE, IT IS ORDERED THAT:

1. This Resolution grants the request by San Gabriel Valley Water Company in Advice Letter 477 for a rate base offset of \$3,235,000 for Plant F21 with an annual revenue increase over current revenue of \$556,437 or 0.8%.
2. The requested rate schedules attached to this Resolution as Appendix A are adopted. The effective date of the rate schedules shall be five days after the date of the Resolution.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 18, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-1 Fontana Water Company Tariff Area GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service, except for those Residential customers required to be served under Schedule FO-1C.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernadino County.

RATES

Quantity Rate:

For all water delivered, per 100 cu. ft. \$ 2.7397 (I)

Service Charge: Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 14.00	(I)
For 3/4-inch meter	21.02	
For 1-inch meter	35.02	
For 1-1/2-inch meter	70.33	
For 2-inch meter	112.03	
For 3-inch meter	210.15	
For 4-inch meter	350.62	
For 6-inch meter	696.00	
For 8-inch meter	1,119.00	
For 10-inch meter	1,613.00	
For 12-inch meter	2,309.00	(I)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-1 Fontana Water Company Tariff Area GENERAL METERED SERVICE (continued)

RATES (continued)

	Per Battery	
	<u>Per Month</u>	
For two 2-inch meters	\$ 224.00	(I)
For three 2-inch meters	336.00	
For four 2-inch meters	447.00	
For two 3-inch meters	420.00	
For two 4-inch meters	701.00	
For one 8-inch meter, two 2-inch meters	1,341.00	
For two 8-inch meters	2,219.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.1047 per Ccf is to be applied to the quantity rates for the remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcharge of \$0.2408/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
4. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
5. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
6. A surcharge of \$0.1394 per Ccf is to be applied to the quantity rates for a twelve month period beginning on October 27, 2015 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).
7. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-1C Fontana Water Company Tariff Area GENERAL METERED SERVICE – CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernardino County..

RATES

Quantity Rate:

For the first 16 Ccf of water used, per 100 cu. ft.	\$ 2.5221	(I)
For all Ccf greater than 16 Ccf, per 100 cu. ft.	\$ 2.9006	(I)

Service Charge:

	Per Meter	
	<u>Per Month</u>	

For 5/8 x 3/4-inch meter	\$ 14.64	(I)
For 3/4-inch meter	21.96	
For 1-inch meter	36.61	
For 1-1/2-inch meter	73.22	
For 2-inch meter	117.18	
For 3-inch meter	219.62	(I)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.1047 per Ccf is to be applied to the quantity rates for the remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcharge of \$0.2408/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
4. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
5. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
6. A surcharge of \$0.1394 per Ccf is to be applied to the quantity rates for a twelve month period beginning on October 27, 2015 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).
7. A surcharge of \$0.1617 per Ccf for an 11-month period beginning on August 27, 2015 is to be applied to the quantity rate to amortize the undercollection in the Water Revenue Adjustment Mechanism (WRAM) Balancing Account.
8. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-4 Fontana Water Company Tariff Area PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to water service furnished to private fire systems and to private fire hydrants.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto and vicinity, San Bernadino County.

RATES

Service Charge:	Per Service Per Month
For each inch of diameter of service connection	\$ 9.44 (I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire service facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property and subject to the control of the utility, with the right to alter, repair, replace and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are attached unless said main is circulating, in which case with the approval of the utility the maximum diameter may be larger by not more than 2 inches than the diameter of said circulating main.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.
5. The private fire service facilities will include a detector check valve or other similar device acceptable to the utility which will indicate the use of water. The facilities may be located within the customer's premises or within public right of way adjacent thereto. Where located within the premises, the utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities. In the event the installation is solely a private fire hydrant facility, the requirement for a detector check valve or other similar device may be waived.

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-6 Fontana Water Company Tariff Area RECYCLED WATER METERED SERVICE

APPLICABILITY

Applicable to all recycled water metered service.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernardino County.

RATES

Quantity Rate:

For all water delivered, per 100 cu. ft. \$ 2.0548 (I)

Service Charge: Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 14.00	(I)
For 3/4-inch meter	21.02	
For 1-inch meter	35.02	
For 1-1/2-inch meter	70.03	
For 2-inch meter	112.03	
For 3-inch meter	210.15	
For 4-inch meter	350.62	
For 6-inch meter	696.00	
For 8-inch meter	1,119.00	
For 10-inch meter	1,613.00	
For 12-inch meter	2,309.00	(I)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-6 Fontana Water Company Tariff Area RECYCLED WATER METERED SERVICE (continued)

RATES (continued)

	Per Battery Per Month	
For two 2-inch meters	\$ 224.00	(I)
For three 2-inch meters	336.00	
For four 2-inch meters	447.00	
For two 3-inch meters	420.00	
For two 4-inch meters	701.00	
For one 8-inch meter, one 2-inch meter	1,341.00	
For two 8-inch meters	2,219.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 75% of the Quantity Rate of Schedule No. FO-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcharge of \$0.1047 per Ccf is to be applied to the quantity rates for remainder of thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
6. A surcharge of \$0.2408 per Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
7. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
8. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
9. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-9C Fontana Water Company Tariff Area CONSTRUCTION AND TANK TRUCK SERVICE

APPLICABILITY

Applicable to temporary water service furnished for construction purposes and for water delivered to tank trucks from fire hydrants or other outlets.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto and vicinity, San Bernardino County.

RATES

	<u>Unit Rate</u>	
For sidewalk construction, per 100 sq. ft.	\$ 0.726	(I)
For street curb construction, per 100 lineal ft.	1.452	
For trench settling, per lineal foot of section of trench 2 feet by 4 feet	0.060	
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3,000 square feet of roadway	10.18	
For compaction of fill, per cubic yard of fill material	0.091	
For water delivered to tank wagon or truck, per 100 gallons	0.232	
Minimum Charge:		
For any service rendered under this schedule	\$ 36.45	(I)

SPECIAL CONDITIONS

1. An applicant wishing to obtain water deliveries under this schedule must first obtain a written permit from the utility.
2. Where water is to be obtained from public fire hydrants, a permit must be obtained from the fire protection district or other public agency having jurisdiction.
3. For other temporary uses the quantity of water used shall be estimated or metered by the utility. Charges for such water shall be at the quantity rate for General Metered Service applicable to the tariff area within which the water is delivered.
4. An applicant for service under this schedule must pay the utility in advance the net cost of installing and removing any facilities necessary to provide such service.

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-9CL Fontana Water Company Tariff Area SERVICE TO TRACT HOUSES DURING CONSTRUCTION

APPLICABILITY

Applicable to water service for house construction where houses are being constructed as part of a real estate development.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto and vicinity, San Bernadino County.

RATES

For each lot for the construction period \$ 12.46 (I)

SPECIAL CONDITIONS

1. This service is available only to real estate developers or builders who make application prior to installation of mains and services and who undertake the construction of houses as part of the development. At its option the utility may provide the service if application is made after mains and services have been installed.
2. Water service under this tariff schedule is only to be used for house construction. It does not include water use for landscaping or other tract improvement work.
3. When each house passes final inspection water service under this schedule will be terminated.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

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APPENDIX A San Gabriel Valley Water Company

PRELIMINARY STATEMENT

(continued)

K. Water Revenue Adjustment Mechanism (WRAM) Memorandum Account for the Fontana Water Company Division

1. Purpose: The purpose of this memorandum account is to track the Quantity Rate revenues collected under Schedule FO-1C tiered rates against the revenues that would have been collected under a single block Quantity Rate.
2. The following entries will be made monthly to the WRAM memorandum Account in the Fontana Water Company division:
 - a. The recorded revenues collected through the tiered Quantity Rate under Schedule No. FO-1C (debit).
 - b. The calculated revenues that would have been collected under a single block Quantity Rate for the same water usage as in 2a above (credit).
 - c. The CPUC-adopted Quantity Rates (\$/Ccf) to be used in calculating the revenues for 2a and 2b above are as follows:

<u>Effective Date</u>	<u>Single Block Rate</u>	0-13 Ccf/mo.	Over 13 Ccf/mo.	
		<u>Tier 1 Rate</u>	<u>Tier 2 Rate</u>	
July 1, 2011	\$2.5046	\$2.3529	\$2.7057	
April 1, 2013	\$2.5067	\$2.3549	\$2.7080	
May 28, 2013	\$2.4498	\$2.3014	\$2.6465	
July 1, 2013	\$2.5689	\$2.4133	\$2.7753	
July 1, 2014	\$2.6625	\$2.5011	\$2.8765	
December 31, 2014	\$2.6648	\$2.5032	\$2.8789	
August 23, 2016	\$2.6849	\$2.5221	\$2.9006	(N)

- d. Franchise fees and uncollectible account expense, based on the net of 2a and 2b above, and the CPUC-adopted rates for franchise fees and uncollectible expenses.
 - e. Monthly interest calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www.federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication.
3. The balance in the memorandum account shall be amortized by a Tier 1 advice letter whenever the balance exceeds 2% of the authorized revenue requirement for the preceding calendar year. If the balance is below 2%, San Gabriel shall propose its amortization in a general rate case.
4. The memorandum account will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (undercollection) or credit (overcollection) balance will be amortized through a rate surcharge or surcredit.

Authorization: Established pursuant to D.10-04-031, Ordering Paragraph 4; and Advice Letter 385

END OF APPENDIX A

**SAN GABRIEL VALLEY WATER COMPANY
ADVICE LETTER 477
SERVICE LIST**

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